

**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION OF	)	
TIDEWATER UTILITIES, INC. FOR THE	)	
APPROVAL OF THE SEMI-ANNUAL	)	
ADJUSTMENT TO THE DISTRIBUTION SYSTEM	)	PSC DOCKET NO. 15-1576
IMPROVEMENT CHARGE PURSUANT TO	)	
26 DEL. C. §314 (B) (5)	)	
(FILED NOVEMBER 19, 2015)	)	

IN THE MATTER OF THE APPLICATION OF	)	
TIDEWATER UTILITIES, INC. FOR THE	)	
APPROVAL OF THE SEMI-ANNUAL	)	
ADJUSTMENT TO THE DISTRIBUTION SYSTEM	)	PSC DOCKET NO. 16-0656
IMPROVEMENT CHARGE PURSUANT TO	)	
26 DEL. C. §314 (B) (5)	)	
(FILED May 20, 2016)	)	

**ORDER NO. 9073**

**AND NOW**, this 20<sup>th</sup> day of June, 2017, the Delaware Public Service Commission ("Commission") determines and orders the following:

**WHEREAS**, under the provisions of 26 Del. C. §314, a water utility may calculate and collect a "Distribution System Improvement Charge" ("DSIC Rate"), which allows the utility to promptly begin to recover depreciation expenses and a return on capital invested in "eligible distribution system improvements" put into service between rate cases; and

**WHEREAS**, under the statutory scheme, a particular water utility's DSIC Rate, once initiated, may thereafter be adjusted on a semi-annual basis to reflect eligible improvements put into

service within the preceding six months. See 26 Del. C. §§314(b)(3) and (b)(5));<sup>1</sup> and

**WHEREAS**, on November 19, 2015, Tidewater Utilities, Inc. ("Tidewater") filed an application in PSC Docket No. 15-1576 to reset its DSIC Rate to 1.06% effective on January 1, 2016; and

**WHEREAS**, on December 15, 2015, the Commission adopted Order No. 8833, which opened Docket No. 15-1576 and approved Tidewater's application to reset its DSIC Rate to 1.06% effective January 1, 2016, subject to annual review, audit, and reconciliation by the Commission Staff ("Staff"); and

**WHEREAS**, on May 20, 2016, Tidewater filed an application in PSC Docket No. 16-0656 to reset its DSIC Rate to 1.90% effective on July 1, 2016; and

**WHEREAS**, on June 28, 2016, the Commission adopted Order No. 8904, which opened Docket No. 16-0656 and approved Tidewater's application to reset its DSIC Rate to 1.90% effective July 1, 2016, subject to annual review, audit, and reconciliation by the Staff; and

**WHEREAS**, on March 24, 2017, Staff began conducting a review and audit of Tidewater's DSIC component and calculations contained in Docket No. 15-1576 and found no discrepancies. Staff also found that the numbers were in compliance with the Delaware Code and the DSIC Rates which the Commission previously approved in Order No. 8833. Specifically, Staff found that (i) Tidewater's rate of return did not exceed its last authorized

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<sup>1</sup>The Commission has explained the DSIC Rate mechanism in detail in PSC Order No. 5850 (December 11, 2001).

rate of return; (ii) Tidewater collected \$131,871 in DSIC revenues for PSC Docket No. 15-1576, which was \$16,664 below the projected DSIC revenue; (iii) the plant portion of Tidewater's DSIC calculation was accurate; and (iv) the total depreciation as calculated by Tidewater agreed with its general ledger; and

**WHEREAS**, Staff found that the annual reconciliation for PSC Docket No. 15-1576 produced a total under-collection for the period January 1, 2016 - June 30, 2016 of \$16,664; and

**WHEREAS**, based on Staff's audit of the additional plant claimed by Tidewater in Docket No. 15-1576 and the revenues collected by Tidewater under this DSIC Rate, Staff recommends that Tidewater's DSIC Rate of 1.06% for January 1, 2016, through June 30, 2016, be approved as final; and

**WHEREAS**, Staff recommends that the Commission formally close PSC Docket No. 15-1576; and

**WHEREAS**, on April 21, 2017, Staff began conducting an audit of Tidewater's DSIC component and calculations contained in Docket No. 16-0656. Staff found that the Company had understated certain Retirement Costs associated with the replacement of meters claimed in this DSIC filing. Staff discussed the issue with the Company and it was agreed that the issue be rectified in PSC Docket No. 17-0330, the Company's pending DSIC Rate application; and

**WHEREAS**, after taking note of the Retirement Cost issue, Staff determined that the rest of the numbers were in compliance with the Delaware Code and the DSIC Rates which the Commission

previously approved in Order No. 8904. Specifically, Staff found that (i) Tidewater's rate of return did not exceed its last authorized rate of return; (ii) Tidewater collected \$298,098 in DSIC revenues for PSC Docket No. 16-0656, which was \$24,710 above the projected DSIC revenue; (iii) the plant portion of Tidewater's DSIC calculation, excluding Retirement Costs, was accurate; and (iv) the total depreciation as calculated by Tidewater agreed with its general ledger; and

**WHEREAS**, Staff found that the annual reconciliation for PSC Docket Nos. 15-1576 and 16-0656 produced a total over-collection for the 12-month period ending December 31, 2016 of \$8,046. This over-collection will be reconciled in Tidewater's current pending DSIC Rate application, PSC Docket No. 17-0330; and

**WHEREAS**, based on Staff's audit of the additional plant claimed by Tidewater in Docket No. 16-0656 and the revenues collected by Tidewater under this DSIC Rate, Staff recommends that Tidewater's DSIC Rate of 1.90% for July 1, 2016, through December 31, 2016, be approved as final; and

**WHEREAS**, On June 5, 2017, Tidewater submitted a revised copy of their pending DSIC Rate application, PSC Docket No. 17-0330, showing the adjustments made accounting for the understated Retirement Costs along with the net total over-collection that was the result of the 2016 annual DSIC reconciliation; and

**WHEREAS**, Staff recommends that the Commission formally close PSC Docket No. 16-0656; and

**WHEREAS,** Staff further reports that it has shared its findings with Tidewater, and both parties are in agreement;

**NOW THEREFORE, IT IS ORDERED BY THE AFFIRMATIVE  
VOTE OF NOT FEWER THAN THREE COMMISSIONERS:**

1. Under the provisions of 26 Del. C. §314, the Commission hereby approves Tidewater's 2016 DSIC Rate of 1.06% (effective January 1, 2016, through June 30, 2016) as previously allowed to go into effect in Order No. 8833 (December 15, 2015) and Tidewater's 2016 DSIC Rate of 1.90% (effective July 1, 2016, through December 31, 2016) as previously allowed to go into effect in Order No. 8904 (June 28, 2016).

2. Nothing in this Order shall preclude the examination and challenge of Tidewater's claims in any base rate proceeding.

3. The annual audit of the filings made in PSC Docket Nos. 15-1576 and 16-0656 are concluded, and these dockets are hereby closed.

4. The Commission reserves the jurisdiction and authority to enter such further orders in these dockets as may be deemed necessary or proper.

**BY ORDER OF THE COMMISSION:**

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Chair

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Commissioner

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Commissioner

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Commissioner

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Commissioner

ATTEST:

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Secretary